

Message Text

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67

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 CIAE-00 COME-00 DODE-00 FMC-04

INR-10 NSAE-00 RSC-01 CG-00 COA-02 DOTE-00 AGR-20

CEA-02 FRB-02 H-02 INT-08 L-03 LAB-06 NSC-10 PA-03

AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-12

PRS-01 OMB-01 RSR-01 OPIC-12 XMB-07 /177 W

----- 092026

R 312135 Z MAY 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4437

INFO AMEMBASSY CARACAS

UNCLAS SANTIAGO 2335

PASS COMMERCE AND OPIC; CARACAS FOR KINSELLA

E. O.116 52: N/ A

TAGS: EFIN CI

SUBJ: DEVALUATION OF BANKERS RATE

REF: (A) SANTIAGO A-280; (B) SANTIAGO 2238;

(C) SANTIAGO 1803; (D) SANTIAGO 2297

1. SUMMARY; CENTRAL BANK DEVALUED SEVERAL CATEGORIES OF BANKERS RATE (FOR IMPORTS, EXPORTS AND TRADE INVISIBLES) EFFECTIVE MAY 30, BUT CHANGE WILL NOT HAVE MUCH ECONOMIC IMPACT. END SUMMARY.

2. WITH RECENT CENTRAL BANK DEVALUATION OF BANKERS RATE DOLLAR EXCHANGE RATES FOR IMPORTS ARE NOW AS FOLLOWS:

CATEGORY	PRODUCTS	NEW RATE (-\$1)	OLD RATE(-\$1)
LIST A	FOOD AND FUEL	E0.20	E0.20
LIST B	RAW MATERIALS	E0.25	E0.25

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LIST C	SPARE PARTS AND MACHINERY	E0.65	E0.40
LIST D-1	VARIOUS CONSUMER ITEMS	E0.120	
LIST D-2	OTHER CONSUMER GOODS	E0.240	LIST D - E0.80

NUMBER OF PERMITTED IMPORTS IS EXPANDED SLIGHTLY. NEW EXPORT RATES ARE:

CATEGORY	PRODUCTS	NEW RATE (-\$1)	OLD RATE(-\$1)
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LIST E	MINERALS, INCLUDING COPPER, EXCEPT THOSE IN LIST G	E045	E0.20
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LIST F	SOME AGRICULTURAL AND INDUSTRIAL PRODUCTS	E0.65	E0.25
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LIST G	NITRATES, IODINE, SODIUM SULFATE, MOST AGRICULTURAL EXPORTS AND VARIOUS INDUSTRIAL PRODUCTS	E0.100	E0.30
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COMMENT: TWO MOST IMPORTANT IMPORT RATES (LISTS A AND B), COVERING APPROXIMATELY 65 PERCENT OF 1972 CHILEAN IMPORTS, WERE NOT CHANGED. LIST C, WHICH COVERS ABOUT ONE- THIRD OF 1972 IMPORTS, WAS DEVALUED 62 PERCENT AND WILL EVENTUALLY BE REFLECTED IN SOMEWHAT HIGHER LOCAL PRICES. EXPORT RATES WERE

LWPJIP SIGNIFICANTLY (WEIGHED AVERAGE OF ABOUT 130 PERCENT), BUT PRACTICAL RESULTS WILL PROBABLY BE SMALL. COPPER EXPORTS ARE LARGELY PRICE INELASTIC AND INCREASE IN RATE FOR AGRICULTURAL EXPORTS COMES TOO LATE THIS YEAR TO PROVIDE INCENTIVE SINCE 1973 FRUIT HARVEST IS OVER.

DEVALUATION OF RATE FOR MINERALS WILL TEMPORARILY ELIMINATE OR LESSEN LOCAL FISCAL DEFICITS OF COPPER AND OTHER MINES. END COMMENT.

3. DEVALUATION ALSO AFFECTS FOREIGN TRADE INVISIBLES, WHICH COME UNDER NEW RATES ABOVE. LIST C INCLUDES PRINCIPAL AND INTEREST PAYMENTS ON CREDITS FROM INTERNATIONAL ORGANIZATIONS; LIST D-1, PRINCIPAL, INTEREST AND PROFIT PAYMENTS ON SOME APORTES DE CAPITAL (FORMERLY IN LIST C) AND OTHER LOANS: LIST D2 UNCLASSIFIED

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COMMUNICATIONS SERVICES, LIST B, PROFITS OF NATIONAL MARITIME FIRMS: LIST E, EXCHANGE OPERATION OF FOREIGN MARITIME COMPANIES TO PAY FOR LOCAL CURRENCY EXPENSES; LIST F, EXCHANGE OPERATIONS OF FOREIGN AIRLINES TO PAY FOR LOCAL CURRENCY COSTS AND VARIOUS OTHER TRADE INVISIBLES, INCLUDING COMMISSIONS, AND LIST G, VARIOUS PRINCIPAL, INTEREST AND SERVICE PAYMENTS. COMMENT:

DEVALUATION RATES IN LISTS E AND F WILL LESSEN LOCAL
EXPENDITURES (AT PREVAILING ESCUDO COSTS) OF FOREIGN
AIRLINES AND SHIPPING FIRMS OPERATING HERE. SOME
COMPANIES INSURED BY OPIC WILL BE AFFECTED BY LIST D1
RATE (REF C). END COMMENT.

4. DETAILS OF NEW BANKERS RATES AND LISTS OF GOODS AND
INVISIBLES UNDER THEM WILL BE POUCHED TO WASHINGTON.
DAVIS

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*** Current Classification *** UNCLASSIFIED

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EB
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